

Capital Investment Program

Unlike the funds previously discussed, the CIP continues to fare extremely well with cash balances of \$35 million. In addition, revenues are coming in stronger than expected at 82% of budget (a more normal collection rate would be 62.5%) led primarily by higher than anticipated real estate excise taxes. The expenditure rate is 42% with the greatest levels of spending in Transportation, Parks and General Government (mostly City Hall).

Delving deeper in CIP finances, you will find that the City's capital program is underwritten with a large amount of general funding. In 2005-2006, \$16 million or approximately 14.5% of General Fund resources will be earmarked for capital projects.

Summary of General Funding Used to Support CIP in 2005-06 (\$ in millions)

	Amount
5% General Fund Transfer	\$ 4.9
Sales tax on construction	2.2
Lease Savings due to staff consolidation at New City Hall	0.7
Additional contribution for City Hall	0.3
Pavement Management Program	0.6
Business Tax Surcharge	7.3
Total General Funding to CIP	\$ 16.0
% of General Fund 05-06 Budget	14.5%

To determine how Redmond's contribution compared to other cities, the Public Administration and Finance Committee requested a mini survey in 2005 of several jurisdictions' capital investment policies as part of the City's Fiscal Policy review. This information was later shared with the full Council. The cities surveyed included Bellevue, Kirkland, Woodinville, Everett, Renton, and Kent. ***Of these six cities, Redmond provided the highest level of general funding to its Capital Improvement Program and had one of the lowest property tax rates*** as shown in the chart below.

Summary of Survey of 2005 Levy Rates and General Resources Used to Support CIP for Surrounding Cities

Cities	2005 Levy Rate	Level of General Fund Support	Funding Sources
Kirkland	\$1.49	1.6%	Sales tax
Woodinville	1.37	1.5%	Utility & Admission taxes)
Everett	3.60	0%	No dedicated sources
Renton	3.23	0%	No dedicated sources
Kent	2.93	8.5%	Sales tax
Bellevue	1.23	5.6%	5.6% of General Fund after adjusting for 50% of sales tax which is returned to the General Fund for m&o (sources: sales and b&o taxes)
Redmond	1.59*	14.5%	See above chart

* Note: Redmond's 2006 levy rate declined to \$1.23 due to the retirement of 1992 general obligation bonds for the Public Safety Building, Senior Center and three street projects.

In contrast, the next highest city is Kent, which contributes 8.5% of general revenues to the CIP, but its property tax levy rate is twice as high as Redmond's.

As compared with other cities, this analysis suggests the **City may wish to revisit its CIP policies to ensure its General Fund capital contributions are scaled relative to General Fund operational and service needs.** Further supporting this conclusion is the fact that the CIP is reporting a cash balance of \$35 million; while the General Fund's cash position is \$5 million. **Simply put, Redmond cannot remain a full-service city relative to other jurisdictions when it shifts such a disproportionately large share of its General Fund resources to the CIP.**